**I met by chance the FAS**

**A trampoline in Gorno-Altaisk, a stall in Belgorod, HOA in Novosibirsk and other frightening Russian monopolies, which are fought by the Federal Antimonopoly Service.**

**Land of monopolists**

Vadim Novikov, economist: “ When regular people hear “monopoly” they imagine three fat men from the famous fairytale of Yury Olesha, who own all steel, coal and bread in the country. But the Federal Antimonopoly Service (FAS), which decides, who are the monopolists or not, has a radically different notion. Now it is much easier to appear in the list of monopolies, comprised by the FAS, than appear in the Forbes richest businessmen list. The size and the success in business aren’t needed to become a monopolist.

An individual entrepreneur who started a sauna; a municipal enterprise which is working in the field of cleaning and ironing; a firm which is producing seals and stamps, – all of them are in the FAS list of monopolies. And only 5% of the companies in the list are the companies from top 100 Russian companies. 65% of the listed companies are small and medium enterprises. The revenue of an average monopolist is 337 million rubles, which is a ten thousandth of the Gazprom’s revenue. So, the size doesn’t matter.

The success isn’t important too. The profit of ZAO “Mikhailovsk Auto Transport Enterprise” is 20-30 thousands rubles, but it is enough. The only needed to become a monopolist is “to influence the common circumstances on the existing market”. It is not necessary to be profitable or even exist. 15% of listed companies were liquidated or becoming a bankrupt and 13% don’t submit the financial statement, which means the same. So, 28% of monopolies in the list are “ghosts”. According to the FAS, these companies save their “influence” on existing companies, and if “the ghost” needs it, it will be decisive. Being a “ghost monopolist” is especially favorable for them. They don’t risk facing a pretension from FAS and staying an important market participant.

Becoming a monopolist in Russia is easy for a small entrepreneur, because the way, which the FAS is searching dominance on the market, differs from the way of the same authorities in other countries. Our antimonopoly service is like a metal detector at the airport, which reacts even on iron in multivitamins. So, on each 2.5 thousands of instituted proceedings by the FAS for “abusing dominative market position” there are: 16 proceedings in USA, 1 proceeding in UK, and 797 proceedings in sum in 40 countries, that are listed in Global Competition Review rating. A conspiratorial vein in the Russian authority is so strong, that members think that even wholesale discounts are the result of a collusion. Collusion in hands-on experience is just a prevalent market actions, which reasons are not comprehensible for the FAS, and they can’t explain it in a different way. A martian would explain breakfast like that: “Why different people start eating in the same time? It looks like a collusion.”

The reason of this surprisingly activity is the same “stick strategy”, which works in the Russian Police and other controlling units: one proceeding – one stick, an important proceeding – several sticks, more sticks – more bonuses and better for career. “It doesn’t matter is proceeding important or not, we all just trying to drive on”, explains the head of a territorial FAS department in an anonymous interview. The result of this race is obvious – Russia is becoming a land of monopolies.

When John Kennedy was asked about how he had become a hero of war, he answered: “It was forcedly, they taken down my ship”. Taking a monopoly position in our country doesn’t require heroism. It is forcedly, the FAS gaining sticks.

**Trampoline proceeding**

Eugenia Avtonomova, individual entrepreneur from Gorno-Altaysk. “I had brought trampoline business to our republic in 2007. Once we had glanced over a journal. We had seen a trampoline in this journal and we liked it. Then my husband went to Novosibirsk and he had returned with trampoline for 20 people. Parents of children in Gorno-Altaysk were glad: there were not any other places to visit, except the playground.

I had started it by myself. My husband continued running our gym. I was excepting that there were some rules for trampoline business, but nobody had faced it in our town. So I had to devise it: children could get on the trampoline only without gum, food and sharp things. Several times they had carried through 10-centimeters nails and cut the trampoline.

Firstly the price was 50 rubles for 20 minutes. I hadn’t counted it – I can’t do it. So I had decided, that 50 rubles is a single note, it is easy. And the same price was in Novosibirsk, but for 5 minutes. Then I looked through the internet for the medical advices: 30 minutes on trampoline is maximum. But it is too long for parents to wait, so I had decided to set 50 rubles for 20 minutes.

So, a trampoline, the same as I had, costs 400 000 rubles. I have two. They need to be repaired. To mend a 20 centimeter hole costs 1500 rubles. Insurance isn’t provided by any company, because trampolines can be cut easy. Also I need to employ a cashier, guard, pay 15 thousand rubles every 3 months for electricity, 23 thousand rubles for rent, washing every two days cost 1 thousand rubles. And administrations sometimes forced us to remove trampolines for festivities.. They forced us six times last year and it costs ten thousand rubles.

Profit depends on the weather. There is no profit, when it rains or it is too hot. Minimal profit per day is 300 rubles and maximum is five thousand rubles. Average profit per month is 25 thousands. The season starts from the end of April to the end of October. I haven’t raised the price for six years, because people got used to it. Moreover, rivals enter the market. Ivan and his companion started their trampoline business in 2009. They have a trampoline for 30 persons.

They set the same price but for unlimited time. So, I can’t lower the price, because if I do that, I would incur losses. So I had allowed access for unlimited time, too. Sometimes, we had little accidents with Ivan. When clients had came to my trampoline he said, that my trampoline wasn’t clean. Once, his people cut up my trampoline with nails.

I was summoned to the FAS. Ivan was summoned too. We were asked to explain why we have equal price. I had written that I was first, but then I had to increase the time, because of the rival.

They said that we couldn’t have the equal prices, because we had different levels of the costs. So they asked me to calculate the costs and set the price. But I can’t do that. I hadn’t anybody to do that. I had replied that we were good to our clients – they paid and the trampoline was at the disposal of them. I told them that it differed from other places, in Novosibirsk, for example, people paid 50 rubles for 5 minutes.

I have already forgotten some things about it because it was two years ago. But I remember that there was a judgment. Ivan had paid a fine. I was waiting it up, and won. After all I received a letter, everything was OK and there wasn’t a need to pay the fine.

I don’t know why they were checking us. I think that there are a lot of serious affairs for the FAS. I’m far from politics, but I think the FAS was asked to collect some money from the town.

We started it for children. But I didn’t move my trampoline to the town square. There were people who had understood that child business is profitable. So now we have trampolines, cars, cotton candy in the square. Now my trampolines are in Barnaul.”

**Heating proceeding**

Anatoly Lapkin, acting manager of the HOA (Homeowners Association) “TIKHAYA PLOSCHAD”, Novosibirsk: “Our homeowners association exists from 1998 year and it is organized like others: changes service lines, repair pavement, roofs. Our house is elite, red-bricked.

In 2007, when we started to establish order, we had explored that one man rent a non-residential outhouse for a hairdressing saloon and a pet-shop without a contract. Outhouse has the same postal address, but it isn’t included in homeowners association. To get our resources he should negotiate a contract with prices the same, as in the town. We had been regularly offering him to do it, but he didn’t agreed. Our homeowners association has decided that we shouldn’t provide services without a contract. The owner of the outhouse had taken offence at us and made a request to the FAS.

He had not any documentation, but antimonopoly experts had said that it didn’t matter. The homeowners association was adjudged being a monopolist. It isn’t clear. We don’t produce anything, don’t mine, don’t sell neither electricity nor heat nor water. So how can we be a monopolist?

From my point of view, antimonopoly service obviously should not attend to this situation. There are a lot of monopolies, whose dominance should be regulated. For example, regional energetic company, that set prices for resources.

The homeowners association hadn’t provided heat for the outhouse owner and got a fine for one hundred thousand rubles. We hadn’t done it later, so we got more fines. We tried to dispute in arbitration courts in Novosibirsk, Tomsk and Tyumen. Everywhere they told us: “Everything is alright. TSG is a monopoly on the power supply market”. So, the only way for us is to go to Moscow. At the end we have paid all the fines.

After the judgments the outhouse owner decided to link up to a separate pipeline of a power supply organization. The strangest thing is why we were told that we are the monopoly and there is no other way to link up the heating system. But we can’t explain the situation to the FAS official. But he is an official, even if he isn’t official of federal level. If he decides that a cat should be black, he won’t say tomorrow that the cat really was white. It would mean that he admits his incompetence. Officials usually will not do so.

I haven’t told my colleagues from other homeowners associations about this situation. I don’t like to tell tales out of school.”

**Advertisement proceeding**

Alexander Vasiliev, director of the publishing house “Fair”, Ryazan:
“Fair, or What You Need” is a newspaper of private advertisements. It exists 19 years and I have led it from the outset. It is issuing 3 times a week and consists of advertisements about property sales, vacancies. There are parts for automobiles, repair and building. The ad space is paid if it is from legal entity. For natural persons the ad space is free, for example, if they want to sell their piano unofficially. The volume is 138 pages. The weekly circulation of the newspaper is 13,6 thousands rubles; the year circulation is five hundred thousands. The price of the newspaper is 18 rubles. The circulations are falling, and the amount of ads is reducing too.

We had a newspaper “From hands to hands”, but it closed three years ago, because of its unprofitability. There is only one issue now - our newspaper. There are some specialized issues like realty newspaper “Domostroy”, newspaper with vacancies “Extra-Konkurent”. But the only real rival is internet.

Ryazan is a big town, we can’t be liked by everyone. Somebody was dissatisfied. May be it were rivals or advertisers. An application was sent to FAS on the theme of pricing. They didn’t like the fact that for the greater volume of advertising to pay less.. But it is just a usual discount system. But this is just a system of discounts, in all editions they have.

The FAS launched an investigation and come to conclusion that we are a monopoly on the market in Ryazan. They declared it on a press-conference. We had written a registered letter with asks for explanation, but FAS hadn’t answered. Because they had lied. It seems like head just needed to give a report of their work.

The FAS didn’t fine us, but they announced that we are “the monopolists” and they could demand a lot in future. So we invited them to a court. We didn’t agree with the statement, that we had dominance position, because we don’t own any exclusive information. We had won the proceeding. Then there were another two proceedings and we had won them too.

The FAS in Ryazan is unprofessional, at least their direction certainly is. Why are they so badly prepared if they are going to the court? I have an impression, that they launch investigations for the sake of appearance. They buy a newspaper, watch through it in morning and if their officials find anything, they will launch an investigation and will fine. My acquaintance from the FAS complained that because of the volume of newspapers, that she reads every day, her hands are getting dirty.

But it’s yours and mine money! I’m a business man. I earn money and pay dues. The FAS get money from budget and live on it. If they waste time and lose in courts, they are blowing this money.

**Stall proceeding**

Sergei Narubenko, owner of a stall in Belgorod: “I have a small grocery store, rather a stall, 30 square meters. There we sell milk, bread, beer, juice, fish – everything as in usual stores, except vodka. The store is called “Svezhachok”. Maximum profit per day is 20 thousand rubles. I started the business with godfather of my child.

Our supplier, OAO “Mograk”, sells me juice “Dobry”. Two officials of FAS come to them. They bought a bottle of beer from their stock, and saved the check to prove, that “Mograk” isn’t a wholesaler. If “Mograk” isn’t a wholesaler, our connections with them aren’t vertical. FAS made this decision.

In general, they exposed, that we, “Mograk” and another four enterprises are in collusion. There was a point in the contract: “The seller should provide information about the selling of the products for the avoidance of dumping”. Officials from the FAS said that with this point we had settled to keep the equal prices.

“Mograk” has a thousand and half clients, but they dully took 5 contracts from center and fined everyone. I haven’t understood anything. I have a small store, which is situated near a bus stop. I can’t to have an influence on the market. I was going to take a video of my store, upload it to Youtube and tell about this story. I offered the head of the FAS division to visit my store and watch it first-hand, but he refused, saying that he doesn’t care about it, the organizations are in the collusion and the rest doesn’t matters. It means that no one is trying to investigate, they only fine.”

**Proceeding about sugar**

Eugene Puhov, head of IP (sole proprietorship ) “Puhov”, Novocheboksarsk: “My company is a wholesaler and retailer of sugar, flour, cereals, macaroni, salt, juice and water. I’m a middleman between producers and stores. We have been packing the customs since last year. We have three rivals with the same range of goods. But the FAS was investigating only the situation with sugar.

The sugar market is hard. It’s hard to understand if you haven’t work on it for at least one year. Sugar is like goods from an exchange: its price can be changed three times a day. The margin is only 2-3%, 5% at best, while the margin for cereal is 15%. For example, I have bought sugar for 20 rubles. Then everybody calls me, asking for the price of the sugar. I observe the market and recognize that the supply haven’t been accomplished today, and set the price higher. If the producers increase the price, we will raise the prices too, it doesn’t depend on the presence of the old-priced sugar. If I will sell sugar for the old price, I won’t get money for buying a new product.

I have normal relations with rivals. If I should know that someone is selling low quality product, we will tell it everyone. We always tell our clients about the ones that have low quality goods. I think that is normal. But communicating with rivals isn’t advantageously for us.

But the FAS thought that we had got in touch over the telephone with each other and increased the prices. “Simultaneous and identical price increasing”. In fact the prices differ in 80 kopeck, and we raise the prices in two days difference. It’s not advantageous for me to be in a collusion with them. I will pull manager’s head off, if I should know that he leaks the information about the procurements.

We have told the FAS everything about it. But there are the girls, that doesn’t know anything, and the head even can’t speak Russian, only chuvash language. May be he didn’t understand Russian speech? We asked to change the head. He could speak Russian, but still couldn’t understand the speech.

We had met with the rivals on the meeting in the FAS and laughed at the situation. We had gone through it all, we’ve been even in Supreme Court – and lost all the cases. We had seen understanding in judges’ eyes, we hoped that we won the proceeding, but anyway we had lost it. We had to pay 20 thousands and 30 thousands for court taxes.

There was a fourth competitor. But he got out of a difficulty beautifully: the increasing of prices wasn’t in his documentations. We saw it and said: “Our purchasing price is 25,6 and his selling value is 24. How can you believe it? He has fabricated the documents”. And FAS officials answered that they didn’t have a powers to check the documents. We said: “OK. We have understood you. Next time we will do the same.”

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